

Message Text

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PAGE 01 ROME 16883 111515Z

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-02 INR-10

L-03 NSAE-00 NSC-05 PA-02 SP-02 SS-15 ICA-20

AID-05 COME-00 EB-08 FRB-01 XMB-04 OPIC-06 LAB-04

SIL-01 OMB-01 STR-07 CEA-01 HUD-02 AGRE-00 /117 W

-----079533 111756Z /44

R 111340Z SEP 78

FM AMEMBASSY ROME

TO SECSTATE WASHDC 5770

TREASURY DEPT WASH DC

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

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ALSO FOR USEC, USOECD

E.O. 11652: N/A

TAGW: ELAB, ECON, IT

SUBJECT: INITIAL REACTIONS TO PANDOLFI ECONOMIC PROPOSALS

REF: ROME 16278

1. SUMMARY: PANDOLFI "PLAN" PUBLISHED SEPTEMBER 1 (REFFTTEL) AND NOW UNDER DISCUSSION WITH THE MAJORITY PARTIES HAS BEEN RECEIVED WITH GREAT INTEREST. REACTION OF POLITICAL PARTIES HAS BEEN APPROVAL OF GOALS BUT WITH RESERVATIONS AND CRITICISMS OF PROPOSALS TO ACHIEVE THEM. MOST CRITICAL HAVE BEEN PARTIES OF THE LEFT AND LABOR UNIONS. CONFINDUSTRIA HAS ALSO BEEN RESERVED. PARTIES HAVE DESCRIBED DOCUMENT AS POINT OF DEPARTURE
UNCLASSIFIED

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PAGE 02 ROME 16883 111515Z

WHILE UNION LEADERS BELIEVE PLAN MUST BE MODIFIED TO BECOME A POINT OF DEPARTURE. END SUMMARY.

2. POLITICAL PARTIES: MAJORITY PARTIES HAVE GONE ON RECORD AS APPROVING DOCUMENT AS POINT OF DEPARTURE FOR FURTHER ELABORATION AND GIVING AGREEMENT TO OBJECTIVES. MUCH OF CRITICISM FROM THE PARTIES OF THE LEFT HAS FOCUSED ON LACK OF DETAILS,

ESPECIALLY CONCERNING INVESTMENTS AND JOB CREATION, AND AS GIVING EXCESSIVE WEIGHT TO LABOR COST AS A CAUSE OF ITALY'S ECONOMIC DIFFICULTIES.

3. PCI ISSUED COMMUNIQUE SEPTEMBER 5 STATING THAT PROPOSALS MUST BE MORE SPECIFIC AND THAT THERE MUST BE GUARANTEES THAT PROPOSED INVESTMENT PROJECTS WILL BE IMPLEMENTED. THE PCI LEADERSHIP ALSO ASSOCIATED ITSELF WITH THE OTHER CRITICISMS VOICED BY THEIR ECONOMIC SPOKESMAN (GIORGIO NAPOLITANO TO EFFECT THAT GHE GOVERNMENT MUST NOT ADDRESS SOLELY PUBLIC FINANCE AND COST OF LABOR, BUT AGRICULTURE, HOUSING, AND OTHER SECTORS. WHILE SHARINUIHE OBJECTIVES OF THE DOCUMENT, THE PSI STRESSED THE NEED FOR MODIFICATIONS, IN PARTICULAR AN ELABORATION OF THE LINKS BETWEEN FINANCIAL AND INVESTMENT POLICIES (INCLUDING PRECISE POLICIES FOR INDUSTRY, AGRICULTURE AND THE MEZZOGIORNO). THE PSDI GAVE A "SUBSTANTIALLY POSITIVE" JUDGMENT OF THE PROPOSALS BUT AGREED WITH NEED FOR MORE PRECISION AND DEVELOPMENT OF ANALYSIS OF INTERRELATIONS OF INCOME, JOBS, PRICES AND PRODUCTIVITY IN RELATION TO SPECIFIC OBJECTIVES. PRI HAS APPROVED DOCUMENT WITH FEW RESERVATIONS.

4. LABOR UNIONS: UNIONS HAVE BEEN MORE RESERVED THAN POLITICAL PARTIES. LUCIANO LAMA, SECRETARY GENERAL OF CGIL SAID SEPTEMBER 5 THAT PRINCIPAL GAPS IN THE DOCUMENT WERE DETAILS ON HOW 500-600 THOUSAND JOBS WERE TO BE CREATED AND ON INVESTMENTS BY SECTOR, PROJECT AND LOCALITY. HE STATED, "WE HAVE TOO MANY PRECEDENTS OF UNCLASSIFIED

UNCLASSIFIED

PAGE 03 ROME 16883 111515Z

PLANS THAT HAVE REMAINED ON PAPER..."; THERE MUST BE GUARANTEES THAT THE MONEY WILL BE SPENT. LAMA STRESSED COST OF LABOR WAS NOT ONLY PROBLEM AND THAT CURRENT EXPORT PERFORMANCE SHOWED THAT ITALY WAS STILL COMPETITIVE. HE ALSO CALLED FOR CREATION OF AN ECONOMIC MINISTRY TO CENTRALIZE OPERATIONS AND OPINED THAT VARIOUS ECONOMIC MINISTERS MAY BE PULLING IN DIFFERENT DIRECTIONS. SERGIO GARAVINI, CGIL SECRETARY FOR ECONOMIC AFFAIRS, TOOK A HARDER LINE CLAIMING THAT THE PLAN EMBODIES THE "VIEWS OF THE BANK OF ITALY AND CONFINDUSTRIA".. CISL OFFICIALS HAVE ALSO CRITICIZED THE DOCUMENT AS BEING INCOMPLETE AND ONESIDED BUT HAVE BEEN MORE POSITIVE THAN UIL OFFICIALS WHO HAVE EXPRESSED STRONG DOUBTS THAT THE DOCUMENT, EVEN WITH MODIFICATIONS, COULD BE A USEFUL STARTING POINT FOR DEVISING ECONOMIC POLICIES FOR 1979. UNIONS WILL MEET WITH THE GOVERNMENT ON SEPTEMBER 12 AND WILL EXPRESS A MORE DEFINITIVE VIEW AFTER THESE TALKS.

5. CONFINDUSTRIA (GUIDO CARLI) HAS CRITICIZED PROPOSALS AS OFFERING LITTLE SUPPORT TO THE PRIVATE SECTOR, WHICH IN THE LAST RESORT IS EXPECTED TO CREATE THE BULK OF THE 500-600 THOUSAND JOBS DURING THE THREE YEAR PERIOD.

6. COMMENT: PANDOLFI HAS DEFENDED HIS PROPOSAL AGAINST THE

CRITICS BY SAYING THAT HIS DOCUMENT PROVIDES ONLY A FRAMEWORK FOR
A STRATEGY FOR THE NEXT THREE YEARS AND THAT THE DETAILS WILL BE
HAMMERED OUT DURING THE SCHEDULED NEGOTIATIONS WITH THE OTHER
SOCIAL PARTNERS. HE DOES NOT CONSIDER HIS PROPOSAL AS A "PLAN"
BUT ONLY AS A WORKING DOCUMENT. HE INDICATED THAT HE HOPES TO
PRESENT TO PARLIAMENT A DEFINITIVE PLAN BY THE END OF THE YEAR.
HOLMES

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